



NEWS RELEASE

OFFICE OF ASSISTANT SECRETARY OF DEFENSE (PUBLIC AFFAIRS)

WASHINGTON, D.C. - 20301

PLEASE NOTE DATE

1378

No. 306-94

(703)695-0192(media)

(703)697-3189(copies)

(703)697-5737(public/industry)

IMMEDIATE RELEASE

May 19, 1994

STATEMENT BY SECRETARY OF DEFENSE WILLIAM PERRY ON MOVING ALLOWANCE TAX ISSUE

"Yesterday I was informed that the IRS intends to issue guidance that temporary lodging, dislocation and moving-in allowances provided by the Department of Defense to military personnel in connection with permanent change of station moves will continue to be excluded from gross income. The status of these allowances was in question with passage of the Omnibus Budget Reconciliation Act of 1993.

"I welcome this announcement. It resolves the dilemma we confronted concerning these allowances. The act had the potential of creating serious problems for up to 800,000 military personnel. We were interested in a legislative solution to this issue, but that will no longer be necessary. The financial cloud over the head of our military personnel has been removed."

-END-

WASHINGTON TIMES

May 23, 1994

Pg. 6

Perry plea persuades IRS to not tax benefits package for moving military

By Ruth Larson
THE WASHINGTON TIMES

Secretary of Defense William Perry can claim victory in the recent skirmish with the Internal Revenue Service over taxing military moving allowances.

The IRS announced last week that changes to the 1993 tax code, designed to tax workers' relocation benefits packages, were not meant to apply to members of the military.

Mr. Perry said he welcomed the IRS announcement, adding, "The financial cloud over the head of our military personnel has been removed."

In a statement issued last week, Mr. Perry said, "It resolves the dilemma we confronted concerning these allowances. The Budget Reconciliation Act had the potential of creating serious problems for up to 800,000 military personnel."

The IRS, acknowledging that "questions have arisen" about military moving allowances, issued a notice that said, "The Internal Revenue Service intends to issue guidance to clarify that these allowances continue to be excludable from gross income."

The military allowances — tem-

porary lodging, dislocation and housing move-in — are designed to defray expenses incurred during moves from one duty station to another, both stateside and overseas. Expenses associated with overseas moves may be particularly high because of the length of time it often takes to find suitable housing.

The relocation allowances traditionally have been excluded from taxable income. But the Budget Reconciliation Act of 1993 changed the rules by limiting the definition of deductible moving expenses.

The Armed Forces Tax Council later ruled that the new definition applied to military moves as well. The tax council includes legal and financial representatives from all the services, who review federal and state tax laws to determine their impact on military members.

A Defense Department spokesman said, "It wasn't that anybody was wrong — the law just wasn't clear. Now we've got clarification, and fortunately, service members aren't going to have to worry about taxes on their moving allowances."

An IRS spokesman explained that while the treatment of moving expenses changed under the reconciliation act, military allow-

ances are covered under separate provisions unaffected by the change.

The IRS clarification came after Mr. Perry protested that taxing moving allowances would disproportionately hurt members of the armed forces.

"The people most affected are the people who can least afford the impact — the junior soldiers, sailors, airmen and Marines assigned overseas in defense of our nation," Mr. Perry said in an April 1 letter to Sen. Sam Nunn, Georgia Democrat and chairman of the Armed Services Committee.

Almost 90 percent of overseas moves are made by enlisted members of the military, those at the lowest pay grades.

"This additional tax burden is counterproductive as we struggle to maintain operational readiness and an acceptable quality of life for our dedicated men and women serving our country," the letter said.

Mr. Nunn wrote to the chairman of the Senate Finance Committee, Sen. Daniel Patrick Moynihan, asking for his help in resolving the issue with the IRS, a committee source said.

Mr. Perry originally had asked Congress for authority to increase military relocation allowances to offset the added taxes, a move no longer necessary.